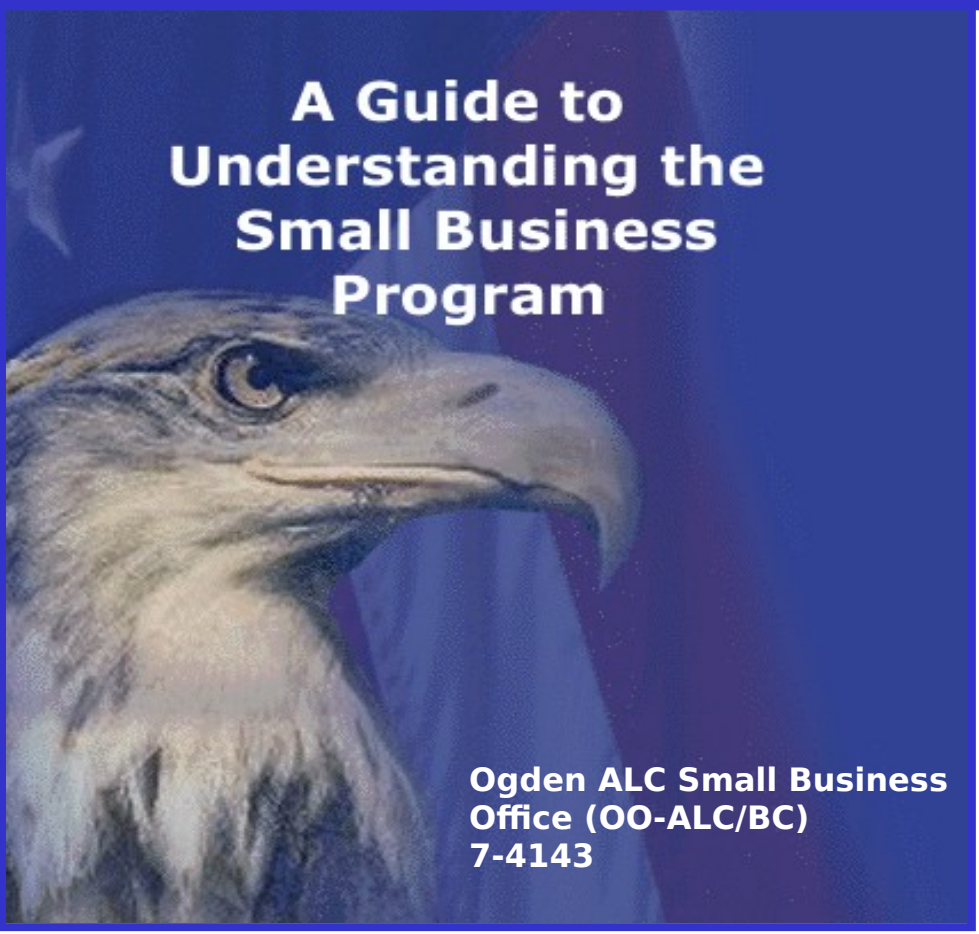
Small Business Handbook



Ogden ALC Small Business Office (OO-ALC/BC)
7-4143

WHY WE HAVE SMALL BUSINESS PROGRAMS & WHO'S RESPONSIBLE

Current National Policy
FAR 19.201(a)

"It is the policy of the Government to provide maximum practicable opportunities in its acquisitions to small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business and women-owned small business concerns. Such concerns shall also have the maximum practicable opportunity to participate as subcontractors in the contracts awarded by any executive agency, consistent with efficient contract performance. The Small Business Administration (SBA) counsels and assists small business concerns and ...racting personnel to ensure that a fair ...of contracts for supplies and services is ... small business."

DoD Policy, DoD Directive 4205.1C

"It is DoD policy that a fair proportion of DoD total purchases, contracts, subcontracts, and other….services and sales of property be placed with small business concerns, small disadvantaged business concerns, women-owned business concerns, and historically black colleges and universities in accordance with 10 U.S.C. 2323 and 15 U.S.C., 631-656 (references (b) and (c))."

Responsibility for Program

All of us are responsible for effectively implementing the small business Program (e.g. the Commander, contracting, program managers and technical personnel, and small business specialists.)

Small Business Facts

Small Businesses account for 99.7% of all U.S. Employers
Create 2 out of every 3 new jobs
Employ 53% of the private work force
Are responsible for 47% of the Gross Domestic Product
Contribute 21% of all U.S. Exports

Small Businesses produce 55% of new innovations....

Audio Tape Recorder
Pacemaker
Airplane
Assembly line
Insulin
Optical Scanner
Personal Computer
Air Conditioning
Heart Valve
Soft Contact Lenses

Small Businesses can offer value

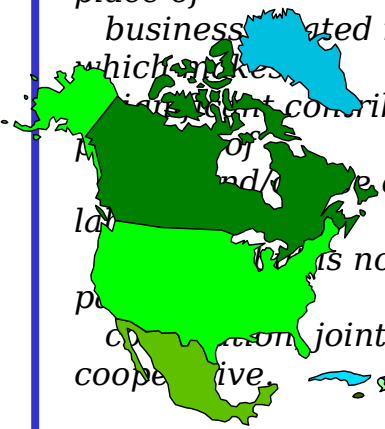
Quality Products/Services
Timely Delivery
Cost Savings

WHAT IS A SMALL BUSINESS?

How Small Must They Be?

Definitions (FAR 19.001):

- **Small Business:** *"A concern, including its affiliates, that is independently owned and operated, not dominant in the field of operation in which it is bidding on government contracts, and qualifies as a small business under the criteria and size standards in 13 CFR Part 121."*
- **Concern:** *"Any business entity organized for profit (even if its ownership is in the hands of a nonprofit entity) with a place of business located in the US or its outlying areas and which makes a significant contribution to the US economy through payment of taxes or use of American products, material, labor, etc. ... [It] is not limited to an individual, partnership, corporation, joint venture, association, or cooperative."*



Business

business size

industry basis

Industry

NAICS Codes and Small

Size Standards

The SBA establishes small

standards on an industry-by-

using the North American

- **If a commodity or end item is being purchased, the size standard is based on the number of employees in the firm.**

- **If a service or construction is being purchased, the size standard is based on the firm's average annual receipts for the preceding three fiscal years.**

Example of Small Business Size Standards

Type Industry	***NAICS Code***	***Size Standard***
Aircraft Airframe Part	336413	1000 employees
Radar Part	334511	750 employees
Computer Programming	541511	$18 M annually
Engineering Services (Military Application)	541330	$23 M annually

A contractor self-certifies their small business status. The contracting officer shall accept an offeror's self-certification unless (1) another offeror or interested party challenges it, or (2) the contracting officer has a reason to question the representation.

SMALL BUSINESS SET-ASIDES

(FAR 19.5)

Definition:

A *"set-aside for small business"* is the reserving of an acquisition exclusively for participation by small business concerns. This requirement *does not apply* to purchases of $2,500 or less, or purchases from required sources of supply under FAR Part 8 (e.g. Federal Prison Industries, Blind or Severely Disabled, and Federal Supply Schedule contracts).

Except as authorized by law, **a contract may not be awarded as a result of a set-aside if the cost exceeds the fair market price.**

Each acquisition estimated between $2500 - $100,000 shall automatically be reserved for small business concerns if the contracting officer is able to obtain offers from two or more small business concerns offering fair market prices.

Acquisitions exceeding $100,000 shall be set-aside for small business participation when there is a reasonable expectation that offers will be obtained from at least two responsible small business concerns offering the products of small business concerns and awards will be made at fair market prices.

- "For set-asides other than for construction or services, any concern proposing to furnish a product which it **did not itself** manufacture must furnish the product of a small business manufacturer unless the SBA has granted either a waiver or exception to the nonmanufacture rule."

SET-ASIDE ORDER OF PRECEDENCE

When considering acquisitions for small business set-aside, consideration should be given to the standard order or precedence shown below:

- HUBZone 8(a)
- Other 8(a)
- Service Disabled Veteran Owned Set-Aside Competition
- Service Disabled Veteran Owned Set-Aside Sole Source if the acquisition is under $3M in a Service NAIC and $5M in a Manufacturing NAIC and there is only one known source capable of satisfying the Government's requirement.
- HUBZone Set-Aside Competition
- HUBZone Sole Source (same thresholds apply as under SDVOSB)
- Small Business Set-Aside
- Full and Open Competition
- Sole Source

If a prime contract over $25,000 was awarded under a small business set-aside or awarded under the Section 8(a) program, the prime contractor must comply with the *Limitations on Subcontracting Clause (FAR 52.219-14)* which restricts the percentage of the contract that can be subcontracted.

- For **Services** acquisitions, at least 50% of the cost of contract performance incurred for personnel must be employed by the small business or 8(a) company.

- For **Supplies** acquisitions, the small business or 8(a) firm must perform work for at least 50% of the cost of

WHAT IS A SMALL DISADVANTAGED BUSINESS?

Small disadvantaged business concern means an offeror that represents that it is a small business concern under the size standard applicable to the acquisition; and is owned and controlled by one or more socially and economically disadvantaged individuals.

- **Socially disadvantaged** individuals are those who have been subjected to ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities.

- **Economically disadvantaged** individuals are people who are socially disadvantaged and whose ability to compete in the free-enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same business area who are not socially disadvantaged.

Socially and economically disadvantaged individuals include:

- Black Americans
- Hispanic Americans
- Native Americans (i.e. American Indians including Indian tribes, Eskimos, Aleuts, and Native Hawaiians)
- Asian-Pacific Americans (i.e. U.S. citizens whose origins are from Japan, China, Philippines, Vietnam, Korea, Samoa, Guam, Laos, Cambodia, Taiwan)
- Subcontinent Asian Americans (i.e. U.S. citizens whose origins are from India, Pakistan, Bangladesh, Sri Lanka, Bhutan, Nepal)
- Other minorities or individuals as defined by the SBA

To be eligible to receive a benefit as a prime contractor based on its disadvantaged status, a concern, at the time of its offer, must be either certified as a small disadvantaged business concern or have a completed SDB application at the SBA or at one of SBA's private certifiers. The contracting officer may confirm that a concern is identified as an SDB by accessing the SBA's Dynamic Small Business Search at htt
or by contacting the SBA's Office of SD
and Eligibility (SDBCE).

Under Public Law 99-661, **a 5% SDB**
contracting goal and a 5% SDB sub
goal have been statutorily mandate

The Section 8(a) Program – FAR 19.8

The SBA's business development program for socially and economically disadvantaged (minority) firms is commonly called the 8(a) program because it's authorized under Section

The 8(a) program assists in the expansion and development of existing profit-oriented small disadvantaged firms. Small businesses may apply for the Section 8(a) program if they are owned and controlled by one or more persons who can provide evidence of having been deprived of the opportunity to develop and maintain a competitive position in the economy because of social and economic disadvantage. Most importantly, firms involved in the 8(a) program must be for profit businesses.

Acquisitions should be considered for contracting under the 8(a) Program before being considered for small business set-aside…. DFARS 219.803(c).

Selecting Acquisitions for the Section 8(a) Program – FAR 19.803

Selection of an 8(a) contractor is initiated in one of three ways:

- The SBA advises an agency contracting activity, through a ***search letter,*** of an 8(a) firm's capability and asks the agency to identify acquisitions to support the firm's business plan.

- The SBA identifies a specific requirement, through a *requirements letter,* for a particular 8(a) firm. *"Contracting activities should respond to SBA request for contract support within 30 calendar days after receipt"….*DFARS 219.803(b).

- Agencies, independently or through self-marketing efforts of an 8(a) firm, identify a requirement and offer it on behalf of a

Section 8(a) contracts shall be awarded at fair market prices. Projects will be offered to the SBA under the Section 8(a) program on a competitive basis if:

• There is a reasonable expectation that at least two responsible
8(a) firms will submit offers at fair market prices; and

• The anticipated award price of the contract, including options,
will exceed $5 M for acquisitions assigned manufacturing
NAICS codes and $3 M for all other acquisitions.

All acquisitions under the $3 M services/other threshold or the $5 M manufacturing threshold will be awarded without competition. Approval to conduct an 8(a) competition for acquisitions below the thresholds must be obtained from SBA. An 8(a) firm owned and controlled by a Native American tribe or an Alaskan Native Corporation can receive an 8(a) contract directly, *at any dollar value,* **without competition so long as the SBA has not already accepted the requirement into the 8(a) program. These requirements are not synopsized, or posted on FedBizOpps.**

How is a Section 8(a) firm different from an SDB firm?

A Section 8(a) firm is a small disadvantaged business (SDB) firm that has been certified to participate in a business development program that offers a broad scope of assistance to socially and economically disadvantaged firms. 8(a) firms automatically qualify for SDB certification.

An SDB is determined by the federal definition found in FAR 19.001 (see page 11 herein as to What is a

WHAT IS A WOMAN-OWNED SMALL BUSINESS?

A Woman-Owned Small Business (WOB) is a small business concern which is at least 51 percent owned by one or more women; or, in the case of any publicly owned business, at least 51 percent of the stock of which is owned by one or more women; and whose management and daily business operations are controlled by one or more women.

The Federal Small Disadvantaged Business Definition does not include women unless they are ethnic minorities.

The *Federal Acquisition Streamlining Act of 1994* established a government-wide procurement goal of 5% of total contract awards for women-owned businesses and adds WOSB as a class for subcontracting plan goals.

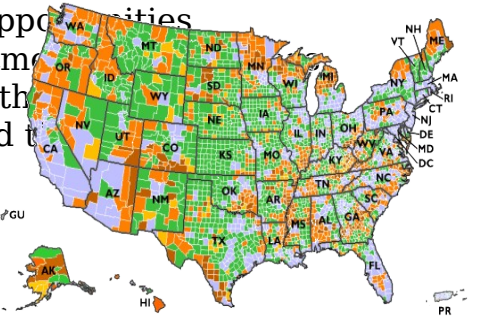
Public Law 106-554, signed 21 Dec 00, authorized a "restricted competition" set-aside program for women-owned businesses. However, no regulatory guidance or implementing instructions for the restricted competition have been provided by the SBA.

THE HUBZONE PROGRAM

WHAT IS A HUBZONE AND WHO IS A HUBZONE CONTRACTOR?

The purpose of the HUBZone Program is to provide federal contracting assistance for qualified small business concerns located in distressed urban or rural areas to:

- Increase employment opportunities
- Stimulate capital investment
- Empower communities through economic leveraging and the "multiplier effect"



HUBZone defined

A HUBZone is a business area that has been deemed historically underutilized based on one or more of the following:

- A qualified census tract
- A qualified non-metropolitan county as defined in Public Law 108-447, Division K, Dated 7 Dec 2004.
- Lands within the boundaries of federally recognized Indian reservations.

The HUBZone Act of 1997 established an annual Government wide goal of not less than 2% of all federal prime contract dollars will be placed with HUBZone small business contractors in FY 2001. In FY 2002, the goal will increase to 2.5%; in FY 2003 and thereafter the goal will be 3%.

There are four criteria a business must me
be qualified as a HUBZone entity:

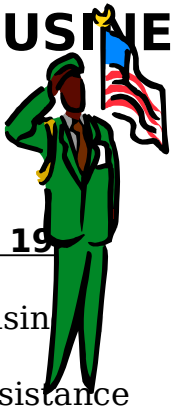
- Must be a small business
- Small businesses that are 51% owned by United States citizens, as well as to include small businesses which are small agricultural cooperatives or are owned and controlled by small agricultural cooperatives.
- The principal office of the concern must be located in a HUBZone;
- **At least 35% of the concern's employees must reside in a HUBZone**

To receive HUBZone awards, a HUBZone firm must have obtained a written certification of eligibility from the SBA. The contracting officer may confirm that a concern is qualified as a HUBZone contractor by accessing SBA's Small Business Dynamic Search at http://www.ccr.gov/ or by contacting the SBA's Associate Administrator for Government Contracting.

A HUBZone small business set-aside can be made if the contracting officer has a reasonable expectation that at least two qualified HUBZone firms will submit offers and that the contract will be awarded at a fair market price.

A sole source HUBZone contract can be awarded if the contracting officer does not have a reasonable expectation that two or more HUBZone firms will submit offers but determines that a qualified HUBZone firm has the capability to meet the requirement and determines that the contract can be awarded at a fair market price. However, the government estimate for the contract cannot exceed $4 million for manufacturing requirements or $3 million for all other

VETERAN OWNED SMALL BUSINESS



Veterans Entrepreneurship and Small Business Development Act of 19

busin

assistance

and operate

Purpose is to expand existing small programs and establish new programs for veterans who own small business firms.

A Veteran Owned Small Business is a small business concern which is at least 51 percent owned by one or more veterans or, in the case of any publicly owned business, not less than 51 percent of the stock of which is owned by one or more veterans; and the management and daily operations of which are controlled by one or more veterans.

A veteran is defined as one who has been on active duty in the military for 180 days.

There is no set-aside program for veteran-owned small businesses nor has any goal for prime contracts to veteran-owned small businesses been assigned. However, a **3% subcontracting goal for veteran-owned businesses has been established under law.**

A Service Disabled Veteran-Owned Small Business is a small business concern which is at least 51 percent owned by one or more service disabled veterans, or in the case of any publicly owned business, not less than 51

A service disabled veteran means a veteran as defined in 38 U.S.C. 101(2) with a **service connected** disability (in the line of duty) that is recognized by the Veterans Administration.

The Veterans Entrepreneurship and Small Business Development Act of 1999 established a **government-wide procurement goal of 3% of total contract awards for service-disabled veteran-owned businesses** and adds veteran-owned businesses as a class for subcontract goals. As of May 2004, there is also an SDVOSB Set Aside, details of which can be found at FAR 19.1405.

Service-disabled veteran-owned small business concerns and veteran-owned small business concerns may self certify their status through the provision in FAR 52.219-1. The contracting officer shall accept an offeror's self certification unless (1) another offeror or inte
offic

CONTRACTING with HISTORICALLY BLACK COLLEGES and UNIVERSITIES and MINORITY INSTITUTIONS

Executive Order 12928 (16 S

wit

Promotes Federal procurement with Historically Black Colleges and Universities and Minority Institutions. The Department of Education determines eligibility for participation in the HBCU/MI program.

Historically Black Colleges and Universities (HBCUs) are accredited institutions of higher education established prior to 1964 with a principal mission of educating African Americans.

Minority Institutions (MIs) are institutions of higher education that have significant minority enrollments. Designated minority groups include African Americans, Alaskan Natives, Hispanic and Latino Americans, Native Americans, and Pacific Islanders.

Each year the Department of Education publishes a listing of schools qualifying as HBCUs or MIs. You can obtain the listing, as well as many of the schools' capabilities, from the HQ Air Force HBCU/MI website at

OTHER SOCIOECONOMIC PROGRAMS

Pilot Mentor-Protégé Program

The Pilot Mentor-Protégé Program provides incentives to major prime contractors (mentors) to assist small disadvantaged business (SDB) firms (protégés) in enhancing their technical and business capabilities. These enhanced capabilities will hopefully lead to increased SDB participation
as subcontractors in federal and commercial contracts and will foster the establishment of long-term business relationships.

Mentors and protégés are required to execute a formal agreement that sets forth the type of developmental assistance that will be provided to the protégé and the type of support the protégé will provide to the mentor.
The agreement must be approved by the Department of Defense. Mentor-Protégé agreements must be for a minimum of 1 year with the potential for option years.

Twice a year, th ency Announcements focus on specific thrust areas wit Proposals are evaluated based nt proposed. Additional infor égé program can be obtained fro BC, (210) 536-6305.

Indian Incentive Program

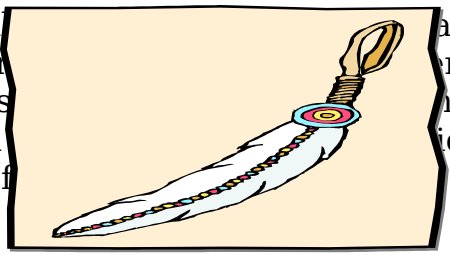
The Indian Incentive Program provides for payment of five percent (5%) of the amount subcontracted to an Indian organization or Indian-owned economic enterprise, when authorized under the terms of the contract.

Money has been appropriated for payment of the incentive and resides in the DoD Small and Disadvantaged Business Utilization office. The Contracting Officer must secure the funding from DoD prior to proceeding with use of the incentive.

"Indian organization" means the governing body of any Indian tribe or entity established or recognized by the governing body of an Indian tribe for the purposes of 25 U.S.C. Chapter IT."

"Indian-owned enterprise" means any Indian-owned (as determined by the Secretary of the Interior) commercial, industrial, or business activity established or organized for the purpose of profit, provided that Indian ownership shall constitute not less than 51 percent of the enterprise.

Contracting officers and prime contractors, acting in good faith, may rely on the representation of an Indian organization or Indian-owned economic enterprise as to its eligibility, unless challenges its status or the contracting officer has independent reason to question the status. The Department of the Interior, Bureau of Indian Affairs provide the final determination of



The Small Business Competitiveness Demonstration (Comp Demo) Program

This program was established by the Small Business Competitiveness Demonstration Program Act of 1988 to:

- Assess the ability of small businesses to compete successfully in four industry categories without set-asides;
- Measure the extent of awards to emerging small businesses;
- Expand small business participation in 10 targeted industry categories through continual use of set-aside procedures.

The four designated industry codes that are not subject to small business set-asides are: (1) construction; (2) refuse systems and related services; (3) architectural & engineering services; and (4) non-nuclear ship repair. *However, this does not mean you cannot set-aside acquisitions in these codes for 8(a) or HUBZone businesses.*

The Comp Demo Program established an "Emerging Small Business Set-Aside." This set-aside applies to acquisitions of $25,000 or less for construction, refuse systems and ship building and repair, and $50,000 or less for A&E if the contracting officer determines there is a reasonable expectation of obtaining offers from two or more responsible emerging small businesses.

An Emerging Small Business is a small business concern whose size is no greater than 50 percent of the numerical size standard applicable to the NAICS code assigned to a contracting opportunity.

Targeted industries where increased management is required to increase small business set-asides include: pharmaceutical preparations, ammunition, ordnance and accessories, turbines and turbine generator sets, aircraft engines and parts, guided missiles and space vehicles,

CONTRACTING PROGRAMS FOR SMALL BUSINESS

Small Business Innovative Research (SBIR)

The government-sponsored Small Business Innovation Research (SBIR) program was created in 1982 to stimulate research and development activity among small businesses while providing the government innovative technical and scientific solutions to challenging problems. The program will terminate on 30 Sep 2007 unless otherwise extended by Congress.

Twice a year federal agencies identify various topics specifically for the SBIR program. (The Air Force does this once a year.) These topics represent serious scientific and technical problems requiring innovative solutions. Contracts are awarded competitively based on the scientific and technical merit of the proposal, its innovative approach, the qualifications of the principal investigator, and the commercial potential of the proposal.

SBIR contracts are awarded in three phases…

- Phase I SBIRs offer awards of up to $100,000 to test the scientific,

To qualify for SBIR awards, a firm must meet the following eligibility criteria:

- Must be a “small business concern” with less than 500 employees
- The principal investigator involved in the research must be privately employed by the proposing firm;
- Two-thirds of Phase I and one-half of Phase II work must be accomplished by the proposing firm; and
- All work must be performed within the United States.

SBIR Fast Track

A Fast Track SBIR process was created to assist small businesses in attracting independent third-party investors by enabling the firm to offer investors matching SBIR funding of one to four dollars for every one dollar the investor puts in. SBIR projects that qualify for the Fast Track will receive:

- Interim funding of $30,000 to $50,000 between Phases I and II
- Be evaluated for a Phase II award under a separate expedited process; and
- Be selected for an expedited Phase II award if they meet or exceed the threshold of technically sufficient and have met their Phase I goals

Help To Contract[illegible] about proposal preparation, cont[illegible]ayment, accounting, intellectual property, or Fast Track, contact the DoD SBIR/STTR see the SBIR/STTR website found at http://www.acq.osd.mil/sadbu/sbir/

Small Business Technology Transfer Program

The Small Business Technology Transfer (STTR) Program provides for awards to small businesses for cooperative research and development **conducted jointly by a small business and a research institution.** Proposals having the greatest potential for commercialization are of particular interest and are given priority consideration for awards. STTR, although modeled substantially on the SBIR Program, is a separate program and is separately financed.

Like the SBIR program, the STTR program is conducted in three phases:

- Phase I is a one-year award of up to $100,000 to determine the scientific, technical and commercial feasibility of the proposed cooperative effort.

- Phase II awards are 24-month efforts aimed at producing a well-defined product or [illegible]using the results from the Phase I effort. [illegible]made up to $500,000.

- Phase III awards r[illegible]mall business to use non-STTR federal a[illegible]rivate sector funding to commercialize Pi[illegible]oducts.

To qualify for an STTR award, a minimum of 40% of the STTR project must be performed by the small business and a minimum of

THE ROLE OF SMALL BUSINESS ADMINISTRATION

The Small Business Administration's core mission is to maintain and strengthen the Nation's economy by aiding, counseling, assisting and protecting small business interests. They offer a myriad of products and support to small businesses, including access to capital, Government contracting assistance, disaster loans and entrepreneurial development. They also provide assistance to Government agencies and prime contractors in the form of an on-line procurement information system known as CCR, Central Contractor Registration.

CCR is an interactive, electronic gateway that profiles small businesses' products/services, performance history, and organizational structure. Contractors can register on the system at no cost but must maintain the accuracy of the data annually. Government employees can access the read-only profiles at any time and can search the database for sources by keying in NAICS codes, location, type business or keywords.

HELPFUL ES

The following websites may prove helpful to you in accessing Information about the Small Business Program or in counseling small businesses on Government opportunities:

Air Force Small Business Homepage (includes information on long range acquisition forecasts, small business focal points, small business program initiatives, current legislative initiatives, etc)
http://www.selltoairforce.org

DOD Small Business Homepage
http://www.acq.osd.mil/sadbu

US Small Business Administration Homepage
http://www.sba.gov

FedBizOpps Homepage
http://www.fedbizopps.gov

Federal Acquisition Regulations
http://farsite.hill.af.mil

Central Contractor Registration (CCR)
http://www.ccr.gov

OO-ALC/Contracting Directorate Webpage
http://contracting.hill.af.mil/contractingmain.asp

OO-ALC/BC Points of Contact

<u>Director</u>
Christy Smittle
<u>Management Assistant</u>
Marsha Peterson
(801)-777-4143

Sandra Ropelato (801)-777-3447
HUBZone, Woman Owned
Disabled Veteran Owned
508th ASW (excluding 508th ATS)
84th CSW (excluding 84th Space & C3I SG)
Vicki Stevens
8(a) Business Development
75th ABW
309th MXW
526th ICBMSW
84th Space & C3I SG
Phil Edmunds
Source Development
MTAPP, HBCU/MI
508th ATS
Dennis Powell
Source Development
Commodity Councils

This booklet was adapted from the Small
Business Liaison Handbook developed
by the Small Business Offices at
Air Force Research Laboratory and
the Aeronautical Systems Center.